ENVIRONMENTAL DISCLOSURE, BOARD OF COMMISSIONERS, BOARD OF DIRECTORS AND COMPANY VALUE

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ABSTRACT

This study aims to determine the effect of environmental disclosure on the proportion of the board of commissioners and the size of the board of directors on company value. This type of research is quantitative using data of manufacturing companies in the basic industrial and chemical sectors which were listed on the Indonesia Stock Exchange in 2015-2017. Method of determining the sample using a purposive sampling method obtained by 23 companies. The analysis technique used is multiple regression analysis. The results of the Environmental disclosure analysis do not affect the value of the company, the proportion of the board of directors influential and the size of the board of directors influence the value of the company.

RESEARCH BACKGROUND

Globalization and world liberalization have had an impact on the growing competition between companies. Globalization of the world makes the world economy more closely related. The liberalization of the world has caused the opening of the domestic market to foreign investors, so that inter-country barriers are reduced and capital flows easier to enter and exit. This has led to increased competition between companies, not only domestically but globally. To be able to face increasingly fierce global competition, companies must improve their performance which is reflected in the value of the company. Company value is an important factor for a company, because the main purpose of a company is to increase the value of the company (Candradewi, 2019). Horne and Wachowicz (2012) state that, the company's main objective is not merely to maximize shareholder wealth, but to be able to maximize the value of the company.

The problem of environmental damage that occurs, encourage several parties both national and international to overcome these problems. This is indicated by the existence of the Environment Policy Act (NEPA) issued by an internal American party. The United States International makes environmental regulations in the US National Environment Policy Act (NEPA). The law deals with air, water and land pollution. Water pollution regulations in the Clean Water Act states that companies are required to make monthly reports on water pollution. Other regulations such as the International Organization for Standardization (ISO) 14001 on environmental management and GRI (Global Reporting Initiative) which issue environmental disclosure reporting standards.

Companies that disclose complete economic and non-economic information will get added value from stakeholders, where stakeholders assume that if the company discloses information on social and economic responsibility for the company's operational activities high so that it can provide benefits to shareholders. Companies can demonstrate responsibility and care for the environment through environmental disclosure. According to Brown and Deegan (1998) in Nana et al (2015) explaining environmental disclosure is one of the processes used by companies to disclose information on company performance and its influence on social and environmental conditions. Environmental disclosure in the company's annual report becomes a means for stakeholders to monitor the activities carried out by the company in fulfilling environmental responsibilities.

This is reinforced by the existence of Law No.40 of 2007 concerning Limited Liability Companies article 74 paragraph 1 which states that: (1) Companies that carry out their business activities in the field and / or relating to natural resources are required to carry out Social and Environmental Responsibility. (2) Social and Environmental Responsibilities as referred to in paragraph (1) are the Company's obligations that are budgeted and calculated as the Company's costs which are carried out by maintaining compliance and fairness. (3) Companies that do not carry out the obligations of paragraph (1) will get sanctions. Based on an economic perspective, a company will increase an information if the information increases the value of the company (Verrecchia, 1983) in Ayu et al (2017). Through environmental disclosure, it is expected that companies will gain social legitimacy, positive responses from market participants and maximize their financial strength in the long run. Research conducted by Nuzul, dkk (2016), environmental disclosure variables are measured using content analysis related to the presence or absence of environmental responsibility information in the report annual basis based on GRI-4. The researcher gives a score of 1 if information items are disclosed in the annual financial statements and a score of 0 for undisclosed items. Research conducted by Rusti and Muchamad (2015) on the effect of voluntary disclosure on company value, shows the results that the level of voluntary disclosure is positively related to firm value. Thus, the more voluntary information disclosed by the company, the higher the value. These findings signal companies to disclose more information to stakeholders.

Corporate governance and corporate value have become important issues for companies throughout the world. Several studies have found an unclear relationship between the implementation of good corporate governance and higher corporate value, because the costs associated with implementing corporate governance mechanisms can exceed its benefits (Chhaochharia and Grinstein, 2007; Bruno and Claessens, 2010). However, empirical research by Gompers et al (2003), Cremers and Nair (2005), Core et al (2006), Bebchuck et al (2009) found a positive relationship between the application of good corporate governance and corporate value . The difference in the results of this previous study, causes the importance to be reexamined about how corporate governance affects corporate value. In addition, an in-depth analysis of the application of corporate governance in Indonesia is needed. Until now there is still little research in Indonesia that examines corporate governance mechanism on corporate value. In contrast to previous research, this study uses a good corporate governance mechanism by taking into account the board of commissioners and the board of directors in a comprehensive manner (Candradewi, 2019). This study uses a component of the control or management structure to determine whether the existence of good corporate governance (GCG) can increase corporate disclosure of social and environmental responsibility. With the first control proxy that is based on the proportion of the board of commissioners (Dody and Anna, 2017). And the second proxy is control based on the size of the board of directors (Bagita and Sihar T, 2016). The first proxy of control can be calculated by dividing the number of the board of directors with the board of commissioners and the audit committee minus one (Dody and Anna, 2017). Whereas the proxy of the two board sizes can be calculated by logging the number of board of directors per year (Bagita and Sihar T, 2016).

HYPOTHESIS DEVELOPMENT

Theory Stakeholder

According to Riahi Belkaoui (2003) in Zuliyati (2011) stakeholder theory considers the position of stakeholders who are considered powerful. This stakeholder group is the main consideration for the company in disclosing and / or not disclosing information in the financial statements. (Satiti and Asyik, 2013) Stakeholder theory states that organizations will choose to voluntarily disclose information about the environmental, social, and intellectual performance that they have beyond their mandatory requests to meet actual or recognized expectations of stakeholders. In stakeholder theory also states that the company is overseen by the board of commissioners and the board of directors as part of corporate governance that oversees the course of the company so that in accordance with the objectives of the owner and management of the company.

The Effect Of Environmental Disclosure On Firm Value

Voluntary disclosure has benefits for the company. Because with voluntary disclosure, the value of the company in the eyes of investors will increase as reflected in the company's stock price. Share prices for companies indicate the ease of the company in obtaining funds in the capital market. Companies can demonstrate responsibility and care for the environment through environmental disclosure. According to Brown and Deegan (1998) explaining environmental disclosure is one of the processes used by companies to disclose information on company performance and its influence on social and environmental conditions. Environmental disclosure in the company's annual report becomes a means for stakeholders to monitor the activities carried out by the company in fulfilling its social responsibilities.

This is reinforced by the existence of Law No.40 of 2007 concerning Limited Liability Companies article 74 paragraph 1 which states that: (1) Companies that carry out their business activities in the field and / or relating to natural resources are required to carry out Social and Environmental Responsibility. (2) Social and Environmental Responsibilities as referred to in paragraph (1) constitute the Company's obligations that are budgeted and calculated as the Company's costs, the implementation of which is carried out by maintaining compliance and fairness. (3) Companies that do not carry out the obligations of paragraph (1) will get sanctions.

The results of research conducted by Melyana and Muchamad (2015) state that the level of voluntary disclosure is positively related to firm value. Thus the more voluntary information the company discloses the higher its value. These findings signal companies to disclose more information to stakeholders. Through environmental disclosure, companies are expected to gain social legitimacy, positive responses from market participants, and maximize their financial strength in the long run.
Based on these explanations, the hypotheses that can be arranged are as follows:

H1: Environmental disclosure has a significant positive effect on firm value

Effect of Proportion of Board of Commissioners on Corporate Value

Board directors are the main factors influencing the behavior of managers in managing a company (Solwe, 2002). Based on the Financial Services Authority (OJK) Regulation No. 55 / POJK.04 / 2015 The board of commissioners is tasked with supervising and advising the board of directors if there is a conflict of interest between the board of directors and the owner of the company. Thereby the board of commissioners' proposals in the company affect the company's performance. Because more and more the proportion of the board of commissioners in the company in overseeing the performance of the board of directors, the company's output can be achieved, namely increasing profits one of them with stock prices that reflect the value of the company.
Based on these explanations, the hypotheses that can be arranged are as follows:

H2: The proportion of the board of commissioners has a significant positive effect on company value.

Effect of Board of Directors Size on Company Value

The board of directors is required to have a Competent and Professional attitude in the fields of law, tax, or accounting. With this capability the board of directors is able to provide a perspective on the risks and competitive advantages, as well as understand the challenges that will be faced by the company. The greater the size of the board of directors in controlling company management, it can increase the value of the company. Praditha (2011) research results state that the size of the board of directors influences the value of the company. However, the independent board of commissioners and audit committee does not affect the value of the company. According to research conducted by Bagata and Tambunan (2016) states that GCG has a significant effect on firm value.
Based on these explanations, the hypotheses that can be arranged are as follows:

H3: The proportion of the board of directors has a significant positive effect on the value of the company

RESEARCH METHODOLOGY

Data Sampling

The population in this study are manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX) in 2015-2017. Sampling in this study uses a purposive sampling method based on certain criteria or considerations. The criteria used in sampling this study are as follows:

1. Basic industrial and chemical manufacturing companies listed on the Indonesia Stock Exchange
2. Companies that publish annual reports and can be accessed through the website www.idx.co.id in a row for the years ending 31 December 2015, 31 December 2016 and 31 December 2017.
3. Companies that have complete financial data and disclose environmental disclosure in 2015-2017.
4. Annual reports of manufacturing companies using the rupiah in reporting monetary units.

Operational Variables and Measurements

The value of the company

Firm value is measured using Tobin's Q (Klepper and Love, 2002) in (Ayu et al, 2017). Tobin's Q is able to explain various phenomena in corporate activities such as the occurrence of cross-sectional differences in investment decision making and the relationship between management share ownership and firm value (Onwioduokit, 2002) in (Praditha, 2011).

Tobin's Q = (MVA + DEBT) / TA

Information :
Tobin's Q = Company Value
MVA = Equity Market Value (MVA = closing price of shares x number of shares outstanding)
DEBT = Total Obligations of the Company
TA = Book value of total assets

Environmental Disclosure

According to Brown and Deegan (1998) in Nana et al (2015) explaining environmental disclosure is one of the processes used by companies to disclose information on company performance and its influence on social and environmental conditions. Research conducted by Nuzul and Zuni (2016) environmental disclosure variables was measured using content analysis related to the presence or absence of environmental responsibility information in annual reports based on GRI-4. The researcher gives a score of 1 if information items are disclosed in the annual financial statements and a score of 0 for undisclosed items. There are 34 items recommended by GRI and consist of 9 aspects.

Furthermore, the analysis of environmental disclosure items is calculated by the following formula (Nuzul and Zuni, 2016):
ED = Σxj / Nj
Information :
ED = Environmental disclosure
Σxj = total value of corporate environmental responsibility j
Nj = total value of environmental responsibility based on GRI G-4

Proportion of the number of the Board of Commissioners

The more proportion of the board of commissioners, the easier it is to control and monitor the board of directors. Measured by counting the proportion of the board of commissioners
PDK = DD / (DK + (KA-1)) x 100%

Size of the Board of Directors

The greater the size of the board of directors in managing it, the better the performance of the company to make a profit.
DD = Log Σ member of the board of directors
Information :
PDK = Proportion of members of the board of commissioners
DD = number of members of the board of directors
DK = board of commissioners
KA = Audit Committee

Data Analysis Technique

This research conducted a descriptive statistical test, tested the data quality with the classical assumption test. Perform a multiple regression test and test the hypothesis. Below is the multiple regression model as follows:

$$\boxed{NP_{it} = \alpha + \beta_1 ED_{it} + \beta_2 PDK_{it} + \beta_3 DD_{it} + e_1}$$

Information :
NP_it: The value of Company i year is measured by Tobin's Q
ED_it: Environmental Disclosure of the company in the following year
α: Constants

PDK _it: Proportion of the number of board of commissioners of the company i year t
DD _it: The size of the board of directors of the company i year
e_ (1,): error (confounding error)
β _1,2,3: Beta

RESULTS AND DISCUSSION

Statistik Deskriptif

The following is a descriptive statistics table

Table 2 descriptive statistics

Variables	Obs	Minim	Maks	Mean	Std Deviasi
Value of Company	69	0.57	2.94	1.0814	0.47575
Environmental Disc	69	0.15	0.38	0.2222	0.06812
Pro board of commissioners	69	0.43	1.40	0.8010	0.23670
size of the board of director	69	0.48	1.00	0.6828	0.14063

based on the table 2, The results of descriptive statistics can be explained that the Company Value (NP) has an average value of 1.0814. The minimum value of 0.57 is owned by PT Alaska Industrindo Tbk. The maximum value of 2.94 is owned by PT Arwana Citra Mulia Tbk. The standard deviation for the firm value variable is 0.47575. Environmental Disclosure (ED) has an average value of 0.2222. The minimum value of 0.15 is owned by PT Arwana Citra Mulia Tbk and PT Sarana Central Bajatama Tbk. The maximum value of 0.38 is owned by PT Holcim Indonesia Tbk. Dev standard. The proportion of the Board of Commissioners (PDK) has an average value of 0.8010. The minimum value of 0.43 is owned by PT Arwana Citra Mulia Tbk in 2017 and PT Berlina Tbk in 2017. The maximum value of 1.40 is owned by PT Budi Starch & Sweetener Tbk. The standard deviation for the variable proportion of the board of commissioners (PDK) is 0.23670. Size of the Board of Directors (DD) has an average value of 0.6828. The minimum value of 0.48 is owned by PT Lionmesh Prima Tbk. The maximum value of 1.00 is owned by PT Asahimas Flat Glass Tbk. The standard deviation for the Board of Directors' size variable (DD) is 0.14063.

Before passing the hypothesis test, the data used in the test using the classic assumption test are the Normality test, Heteroskedasitistas test, Multicollinearity test and auto correlation test. The results of the overall test do not violate the assumptions so that the data can be used to conduct further tests, namely multiple regression testing and hypothesis testing. The following is the hypothesis test results table.

Table 3 Hypothesis Test Results

Variables	Coef	t –stat	Sig
Environmental Disclosure	.156	.161	.872
Pro board of commissioners	-1.019	3.125	.003 **
size of the board of director	1.096	1.747	.085 *

Effect of Environmental Disclosure on Company Value

The results of this regression show a significance value of 0.872 means that the value of t_hit <t_tab (-0.161 <1.997) and the significance value (0.872> 0.025), it can be concluded that H1 is rejected. This means that environmental disclosure has no significant positive effect on firm value. According to the Limited Liability Company Law number 40 of 2007 explains that companies that have the obligation to make voluntary disclosures are companies directly related to natural resources. While in this study not all of the research samples are companies directly related to natural resources, so these companies only partially disclose environmental disclosure. This can be shown by the average disclosure of environmental disclosure whose value is relatively low at 0.22. Means the environmental disclosure variable partially does not have a positive effect on company value. The researcher concludes that although company discloses a positive image of market participants, disclosure of environmental disclosure requires substantial funds that can burden the company and costs incurred by the company can position the company in financial difficulties that can damage the value of the company, so many companies which does not express it in its entirety in its annual report.

The results of this study support previous researchers namely Aprilia (2014). This means that environmental disclosure activities carried out by the company cannot increase the value of the company. While the results of this study are not consistent with research conducted by Melyana and Muchamad (2015) which states that voluntary disclosure has a positive effect on firm value. This shows that companies that disclose social responsibility information have a positive image in the community especially businesses, because the company pays attention to and considers stakeholder interests so that the company's existence can be maintained which will have an impact on increasing the value of the company.

Effect of Board of Commissioners Proportion on Company Value

The results of this regression show a significance value of 0.003 that the proportion of the board of commissioners influences the value of the company meaning that H 2 is accepted. The results of this study are supported by the variable regression coefficient of the proportion of the board of commissioners of 1.019 and is negative. This shows that each increase of 1 percent of the proportion of the board of commissioners (PDK) will cause a decrease in the value of the company by the coefficient value and vice versa. Based on this explanation the researchers concluded that the addition of 1 percent of the proportion of the board of commissioners could cause ineffective and inefficient decision making in the company. Because the greater proportion of the board of commissioners has an impact on the number of suggestions given so that there will be a meaningful debate that can reduce the value of the company.

The results of this study support the researchers conducted by Marsudi (2016), namely the proportion of the board of commissioners has a positive effect on company value.

Effect of Board of Directors Size on Company Value

The results of this regression show a significance value of 0.085, it can be concluded that H3 is accepted. This means that the size of the board of directors has a significant positive effect on company value. This shows that the role and duties of the board of directors as the party that manages the company effectively run to fulfill its responsibilities to stakeholders as reflected in the company's share price. This means that if the performance of the board of directors is effective it will result in an increase in the value of the company and the company's stock price in the eyes of investors.

The results of this study support the research conducted by Praditha (2011) whose results are that the size of the board of directors has a significant positive effect on firm value

Closing and Implications

Based on the results of the study it can be concluded that environmental disclosure has no effect on firm value. Although the company discloses getting a positive image from market participants, disclosure of environmental disclosure requires substantial funds that can burden the company and costs incurred by the company can position the company in financial difficulties that can damage the value of the company, so many companies do not disclose it as a whole in its annual report. Furthermore, the results of the study of the proportion of the board of commissioners negatively affect the value of the company. Based on this explanation the researchers concluded that the addition of 1 percent of the proportion of the board of commissioners can cause ineffective and inefficient decision making in the company. Because the greater proportion of the board of commissioners has an impact on the number of suggestions given so that there will be a meaningful debate that can reduce the value of the company. The results of the size of the board of directors have a significant positive effect on company value. This shows that the role and duties of the board of directors as the party that manages the company effectively run to fulfill its responsibilities to stakeholders as reflected in the company's share price. This means that if the performance of the board of directors is effective it will result in an increase in the value of the company and the company's stock price in the eyes of investors.

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